No. 80-2182

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In The

Supreme Court of the United States

October Term, 1980

INWOOD LABORATORIES, INC. and PREMO PHARMACEUTICAL LABORATORIES, INC.,

Petitioners,

vs.

IVES LABORATORIES, INC.,

Respondent.

REPLY BRIEF IN SUPPORT OF PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

MILTON A. BASS
JACOB LAUFER
STEVEN R. TROST
BASS, ULLMAN & LUSTIGMAN
Attorneys for Petitioner
Inwood Laboratories, Inc.
747 Third Avenue
New York, New York 10017
(212) 751-9494

PETER T. COBRIN
MARTIN W. SCHIFFMILLER
KIRSCHSTEIN, KIRSCHSTEIN,
OTTINGER & COBRIN
Attorneys for Petitioner
Premo Pharmaceutical Laboratories, Inc.
666 Fifth Avenue
New York, New York 10103
(212) 581-8770

TABLE OF CONTENTS

Page

Argument:

Respondent ignores the critical issue presented in the petition for *certiorari*: did trademark infringement occur? . 2

Conclusion 5

TABLE OF CITATIONS

Cases Cited:

Ives Laboratories, Inc. v. Bioline Laboratories, Inc., et al., Civil Action No. 81-914 (VPB) (D.N.J., Complaint filed Mar. 30, 1981) 4

Ives Laboratories, Inc. v. Darby Drug Co., Inc., 601 F. 2d 631 (2d Cir. 1981) 3

Ives Laboratories, Inc. v. Darby Drug Co., Inc., 638 F. 2d 538 (2d Cir. 1981) 2

Vibrant Sales, Inc. v. The New Body Boutique, Inc., ___ F. 2d ___, No. 80-7877 (2d Cir. June 29, 1981) 3

Statutes Cited:

Lanham Act:

§32 (15 U.S.C. §1114) 2, 3, 4

§43(a) 2, 3

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Petitioners Inwood Laboratories, Inc. and Premo Pharmaceutical Laboratories, Inc. respectfully submit this reply brief in support of their petition for a writ of *certiorari* to the United States Court of Appeals for the Second Circuit.

ARGUMENT

Respondent ignores the critical issue presented in the petition for certiorari: did trademark infringement occur?

Respondent Ives Laboratories, Inc. ("Ives") has deliberately chosen not to deal with the questions presented by petitioners and the holding of the United States Court of Appeals for the Second Circuit. The Court of Appeals held that pharmacists committed trademark infringement within the meaning of §32 of the Lanham Act (15 U.S.C. §1114) when, either orally or by labeling a prescription vial, they advised a patient that the dispensed generic cyclandelate product, which was prescribed by a physician and was similar in appearance to Ives' Cyclospasmol product, was "Generic Cyclospasmol." The Court further determined that petitioners, by manufacturing an equivalent drug in the same color as Ives' product, were guilty of "contributory trademark infringement" and therefore should be enjoined from copying a functional feature of a product which had no secondary meaning. *See generally, Ives Laboratories, Inc. v. Darby Drug Co., Inc.*, 638 F. 2d 538 (2d Cir. 1981) (71a).

Instead of addressing this issue, Ives erects a strawman. It blithely states that the Second Circuit's theory of liability is not crucial in this case because Ives contends petitioners also violated §43(a) of the Lanham Act, and/or various aspects of the state law of unfair competition by manufacturing prescription drug products with the same capsule colors as Ives' product. In support of its argument, Ives cites various cases involving the colorations of prescription drug products which were decided under theories other than contributory trademark infringement and involved instances of impermissible substitution of the generic product for the brand-name product. *See* Respondent's Reply to Petition for *Certiorari*, at 12-13 ("Respondent's Reply").

In each of those cases, however, in sharp contrast to the instant one, the plaintiff brand-name manufacturer, in order to secure an injunction against color copying, had to show *secondary meaning*, and that the color was *non-functional* in order to hold the generic company liable. These concepts — secondary meaning and functionality — are at the heart of §43(a) of the Lanham Act. *See e.g., Vibrant Sales, Inc. v. The New Body Boutique, Inc.*, ____ F. 2d ____, No. 80-7877 (2d Cir. June 29, 1981).[1] Additionally, the case at bar is clearly distinguishable in light of the Second Circuit's express finding that the instances of impermissible substitution of petitioners' generic product for Ives' was *de minimis* and did not warrant a finding of contributory trademark infringement. *See Ives Laboratories, Inc. v. Darby Drug Co., Inc.*, 601 F. 2d 631, 644 (2d Cir. 1981) (52a-53a).

As extensively discussed in the petition for *certiorari*, the holding of the Second Circuit in the instant case automatically guarantees rights in the color of a drug product *without* any showing of secondary meaning or functionality. This result was reached by application of the erroneous theory that pharmacists' truthful comparative use of Ives' trademark ("Generic Cyclospasmol") constituted trademark infringement under §32 of the Lanham Act. This is the critical premise of the Second Circuit's decision. This is the critical issue raised by the petition for *certiorari*. This is the critical error in the opinion below. Yet this is the question which Ives chose not to even address.

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1. As the Second Circuit recently noted:

> "An action . . . which is predicated almost entirely on the false designation of origin leg of 43(a), *can only succeed if the features allegedly copied have acquired secondary meaning in the marketplace and are non-functional.*" *Id.* at 4060 (emphasis added).

It should also be pointed out that Ives' attempts to treat petitioners' practice of marketing generic drugs in an appearance similar to their brand-name counterparts as an isolated exception to the general methods of marketing utilized by the prescription drug industry. Nothing could be further from the truth. As the *amicus* briefs submitted by the National Association of Pharmaceutical Manufacturers, the American Association of Retired Persons, and the National Retired Teachers Association amply demonstrate, the practice of marketing generic drugs in the same color as their brand-name counterparts is traditional, widespread and critical to the patients of this nation — especially the elderly.

More significantly, Ives' attempt to portray petitioners' marketing practices as unusual or atypical conveniently overlooks the fact that on March 30, 1981, Ives commenced an action against *sixteen* other generic manufacturers and distributors of cyclandelate on the ground that they too sell generic cyclandelate products in the same colors as Ives' Cyclospasmol and thereby are violating, *inter alia*, §32 of the Lanham Act. *See Ives Laboratories, Inc. v. Bioline Laboratories, Inc., et al.*, Civil Action No. 81-914 (VPB) (D.N.J., Complaint filed Mar. 30, 1981).[2]

It is respectfully submitted that the decision of the Second Circuit in the instant case is legally incorrect and will have drastic and harmful consequences for generic drug companies in their effort to provide the public with low cost, therapeutically equivalent alternatives to brand-name drugs.

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2. As previously noted, Ives refers to a recent series of cases in the Third and Eighth Circuits wherein large pharmaceutical manufacturers sued generic drug companies (other than petitioners herein) for copying the appearance of a prescription drug product. *See* Respondent's Reply at 12-13. Although, these cases were determined under significantly different theories of law, they demonstrate the extensive and historical practice of marketing generic equivalents in the same color as their brand-name counterparts.

CONCLUSION

For the reasons stated herein and for the reasons stated in the petition, it is respectfully requested that a writ of *certiorari* issue to review the judgment of the United States Court of Appeals.

Respectfully submitted,

MILTON A. BASS
JACOB LAUFER
STEVEN R. TROST
BASS, ULLMAN
& LUSTIGMAN
Attorneys for Petitioner
Inwood Laboratories, Inc.

PETER T. COBRIN
MARTIN W. SCHIFFMILLER
KIRSCHSTEIN, KIRSCHSTEIN,
OTTINGER & COBRIN
Attorneys for Petitioner
Premo Pharmaceutical
Laboratories, Inc.